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PA/HO, Department of State
E.O. 12958, as amended
June 9, 2005



INTERNATIONAL SECURITY AFFAIRS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

22 JAN 1972

In reply refer to:
I-20545/72

*had this
in the 412 G
NSC 779
book.
Return
orig. to
Secretariat*

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY
AFFAIRS

SUBJECT: Military Supply for Pakistan

This transmits the Defense position on the renewal of military supply
for Pakistan as requested during the SRG meeting of 19 January 1972.

Atch
a/s

Glenn Warren

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RENEWAL OF MILITARY SUPPLY TO PAKISTAN

Background

The accession to power of the civilian-oriented Bhutto government and the virtual eclipse (for the moment) of the military establishment in Pakistan has cast the role of military supply in new and different terms. Economic realities and discernible propensity on the part of President Bhutto to keep the military on a short leash will curtail the defense budget for some time to come. President Bhutto owes little of his strength to the armed forces and thus need not move with any deliberate speed to lessen their current disarray. In fact, he may find it expedient to "punish" the military over the short run by limiting its budget to reinforce the allegation that it bears the main responsibility for the recent debacle.

For whatever the reason, Bhutto appears committed to a reduction in the size of the armed forces. There are reports that at least 30,000 men (ten percent of total strength) are to be trimmed at once. It is unclear whether this figure is over-and-above the 90,000 troops in Indian hands. In terms of Pakistan's reduced defensive problems and in keeping with Bhutto's reiterated statement that another round with India is "unthinkable", such streamlining makes good sense. Beyond this the eventual configuration of Pakistan's defense forces is an unknown quantity. What is clear is that former programs of military procurement from overseas suppliers will be subjected to considerable scrutiny, old

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requirements for major items or spares altered or canceled and new needs established over time that may bear little resemblance to what remains in the embargoed pipeline.

Early in the recent crisis, we argued that our limited military supply relationship with Pakistan went far beyond its dollar component in intrinsic value to our continued dialogue with the Pakistani government. This argument was based on the extensive and intimate relationship with two successive and successful moderate military administrations. With the old order overturned, military supply - certainly at any level less than the pre-1965 grant aid relationship - will provide significantly diminished leverage when compared to the effect of restored economic aid.

This is not to say that a well-planned, long-term program of military sales to Pakistan will be contrary to our interests. A basic objective of our policy toward South Asia remains the restoration of stability in the region. A Pakistan without a meaningful capability to police itself and to deter latent Indian and other revanchist designs on its remaining soil would be a severe potential detriment to the stability we seek.

Timing

Two factors must be taken into account in orchestrating a renewal of the military supply pipeline. The first is Pakistan's own reorientation of its priorities as indicated above. It would appear counterproductive to reopen the flow of material under the former ground rules without consideration of Pakistan's perhaps radically altered requirements. Under those circumstances, Islamabad might feel constrained to buy equipment not

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suited to its new needs just to restore the pipeline to a reasonable level of flow.

A second consideration is progress toward a de jure end to the current state of belligerency now held in abeyance by a ceasefire that happily appears to be holding. While to a great extent, the negotiation ball is in the Indian court, Congressional and other sensitivities must be taken into account in projecting a resumption of military supply to Pakistan. A brouhaha over renewed supply action might seriously jeopardize the establishment of a workable military assistance relationship over the longer haul.

Specific Actions

Over the short term, our military supply relationship divides itself into four categories left over from the now-suspended programs. First, there is the quantum of material now in Pakistani hands in shippers' warehouses stalled for lack of export licenses. Second, there is the question of old FMS sales cases on which action was incomplete at the time of the embargo and that have all been canceled. Then there is the problem of Munitions List items procured by Pakistan directly from US commercial suppliers. And last, the "one-time exception" must be addressed.

- Warehoused Material

Approximately 70 tons of material, mostly spare parts for aircraft and automotive equipment both lethal and nonlethal are concentrated in shippers' warehouses principally in New York. Value of

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this material is slightly over $\$ \frac{1}{2}$ million. It could be put on its way to Pakistan either through a general relaxation of the prohibition on export license issuance or by granting an exception to this prohibition applying only to these specific items. In either case we would have to "go public" even though we might do so in low key.

Over the near term, an exception to policy would have useful symbolism in our relations with Islamabad. It would release for shipment material already paid for and thus without impact on Pakistan's current fiscal problems. On the other hand, the limited scope of the exception would provide Islamabad a breathing space for reassessment of its defense requirements without the enticement to renew old sales cases just to restore the flow. Such a move would not violate Congressional legal restraints on the subject since legislation on embargoes to Pakistan remains stalled on the Hill. A precipitate move to release this material, however, especially in the absence of progress toward an armistice and withdrawal of troops could raise a furor at home and stall the nascent moves on India's part to begin discussions toward this end. Less likely, hasty clearance of even this symbolic gesture could produce Pakistani resistance to early talks.

- Renewal of FMS Cases

All previous FMS cases under the April 1967 policy (amounting to an as yet incompletely audited figure in the tens of millions of dollars) have been canceled at no cost to Pakistan. Restoration of sales under the former policy would require administrative action enabling both the

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issuance of export licenses and the removal of the prohibition against release by Service depots. This action could not be accomplished without drawing significant attention due to the multiplicity of supply points that would be involved.

A completely new sales program would be required since material in procurement under the canceled cases has been diverted to other requirements or its manufacture stopped. In certain isolated cases where delivery was imminent and alternate requirements have not been identified, renewed sales cases could result in early delivery to Pakistan. More generally, procurement action would have to start from scratch.

Pakistan has not raised the issue of a renewal of the sales program in any concerted way. In point of fact, the repeated calls and visits on the subject by Pakistani military representatives in Washington noted before the hostilities have ceased altogether. Apart from Ambassador Raza's list provided to State (that requested action substantially confined to the warehoused material already in custody) and General Gul Hassan's expressed hope that the embargo will not last indefinitely the whole issue appears to have been soft-pedaled.

- Commercial Munitions List Sales

Unresolved as a result of the embargo has been the plight of a few commercial suppliers who earlier contracted with Pakistan for provision of nonstandard military items covered by Munitions List caveats. In particular, two firms (SWEMCO in New Jersey /\$250,000/ and Varadyne

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/\$800,000/) will find themselves hard-hit if within the next six months or so they are unable to ship.

Both these contracts are for nonlethal end-items, specifically infrared detection equipment and sound-ranging gear for the pinpointing of enemy artillery locations. It might be possible without creating serious opposition to grant dispensations to firms thus pressed, to release these consignments once there was discernible movement toward an armistice.

- The One-Time Exception

Renewed action on the "one-time exception" raises some peculiar problems. Over \$13 million is still committed to the purchase of 300 APCs, the only FMS case for Pakistan remaining active at this time. In almost six months of brisk negotiation following announcement of the offer, Islamabad expressed no strong interest in acquiring any of the aircraft proffered due to a combination of factors including price, type and quantities of equipment involved.

The offer was made under circumstances vastly altered in the sixteen months since its announcement. A civil war and hostilities with India have occurred. The regime we sought to bolster at the time has passed from the scene. More important, Pakistan's military requirements have changed drastically. Reinstatement of the offer now might prove difficult for Bhutto to resist, although the financial strain implied by acceptance might prejudice Pakistan's case for critical Consortium assistance.

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Recognizing that we have a moral commitment to Pakistan in having made the offer, a reasonable approach toward the reinforcement of our bona fides might be to revive the package in the form of a "rain check". At an appropriate moment, we could inform Islamabad that in view of its changing military needs and Congressional problems here, a revival of the package in altered form at a later date might be in our mutual best interests. The demarche would hold out the possibility that renewed discussions might center on equipment other than that in the original offer more suited in both type and quantity to Pakistan's changed circumstances. We might want to caveat the offer with an emphasis on the defensive aspects of any equipment open to discussion in a restructured program.

Our initiative in this respect would project both a short- and a long-term benefit to Pakistan. In the short run, it would provide Islamabad a face-saving way to preserve scarce fiscal assets by canceling the purchase of the APCs that may no longer be cogent to its defense needs. Large armored units of the type the APCs were destined to equip were never committed by either side in the recent hostilities. Pakistan presumably lost few, if any, of the hundred plus APCs in its inventory. Over the longer haul, the offer would indicate our firm intention to assist materially in the reequipping of a streamlined Pakistani defense establishment designed for deterrence rather than renewal of hostilities of the sort that have occurred three times in a generation.

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Recommendations

1. That moves toward renewal of the military supply relationship with Pakistan be sequenced as follows:

- Release of the warehoused material.
- Selective release of commercial sales items.
- Renewal of FMS activities.
- Action on the one-time exception.

2. That action on any of the foregoing be held in abeyance at least until the start of negotiations toward an armistice and until we have been able to pulse Chinese intentions for military resupply to Pakistan.

3. That we proceed slowly on major sales of either end-items or spare parts to Pakistan until the policy directions and the stability of the Bhutto government are more clearly discernible.

4. That once measurable progress toward an armistice has become evident, we open discreet discussions with Islamabad on the whole subject of military assistance aimed at rationalizing its military requirements. At this time, we should offer an assured "rain check" on the one-time exception.

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